

Chapter 21

HOMEOWNERSHIP

[24 CFR 982.625]

RECEIVED

NOV - 1 2002

P. H. D

*HACSA will give preference to families in the FSS Program for the Homeownership Program. This is contingent on receiving a HUD grant for a FSS Coordinator position.*

The homeownership option is used to assist a family in a home purchased and owned by one or more members of the family.

The HA must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

The HA may make homeownership available to all who qualify, or restrict homeownership to families or purposes defined by the HA. The HA may also limit the number of families assisted with homeownership.

The HA will limit homeownership to a maximum of twenty five (25) Section 8 vouchers administered by the HA in any fiscal year, provided that disabled families shall not be subject to the 25 voucher limit.

Participating families will be required to have participated in the Family Self-Sufficiency Program, the Threshold program offered by NEDCO or St. Vincent De Paul, other homeownership preparatory program, or demonstrate that the family is "mortgage ready".

**A. ELIGIBILITY REQUIREMENTS** [24 CFR 982.627]

Participation in the Section 8 Homeownership program is voluntary. The family must meet all of the requirements listed below before the commencement of homeownership assistance. This includes families exercising portability.

The family must be eligible for the Housing Choice Voucher program.

The family must qualify as a first-time homeowner, or be a cooperative member, excepting families with a member with disabilities where the use of the Homeownership option is needed as a reasonable accommodation.

A "first-time homeowner" means that no member of the household has had an ownership interest in any residence during the three (3) years before commencement of homeownership assistance.

The term “first-time homeowner” also includes a single parent or displaced homemaker who, while married, owned a home with a spouse or resided in a home owned by the spouse.

The Family must meet the Federal minimum income requirement.

The head of household, spouse and/or other adult household members who will own the home must have a gross income at least equal to the Federal minimum wage multiplied by 2000.

With the exception of elderly or disabled families the HA will disregard any welfare assistance.

The Family must meet the Federal minimum employment requirement.

At least one adult family member who will own the home must be employed full time (an average of 30 hours a week) and must have been continuously employed for one year prior to homeownership assistance.

The Executive Director, or their designee, may determine whether and to what extent an employment interruption is permissible in satisfying the employment requirement.

The Executive Director, or their designee, may determine whether and to what extent successive employment or self-employment is permissible in satisfying the employment requirement.

The Federal minimum employment does not apply to elderly or disabled families.

If the head of household, spouse and/or other adult household members who will own the home has previously defaulted on a mortgage obtained through the Section 8 Homeownership program, the family will be ineligible to participate in the HA’s Homeownership program.

The HA will impose the following additional requirements:

The family must have completed a one year initial lease term in the Section 8 Housing Choice Voucher program.

The family must have fully repaid any outstanding debt owed to any Housing Authority.

The family must be a participant in, or graduate of, the Family Self-Sufficiency Program, the Threshold program offered by NEDCO or St. Vincent De Paul, other homeownership preparatory program, or demonstrate that the family is “mortgage ready”.

The family has not committed any violation of Family Obligations in the Section 8 Housing Choice Voucher program in the past year.

The family must have had no family-caused violations of HUD's Housing Quality Standards within the last year.

The family has not committed any serious or repeated violations of a HA assisted lease in the past year.

The Executive Director, or their designee, may review violations and grant an exception on a case-by-case basis.

## **B. HOMEOWNERSHIP COUNSELING REQUIREMENTS [24 CFR 982.630]**

Before the commencement of homeownership assistance the family must attend and successfully complete a homeownership education program provided or approved by the HA. At the discretion of the HA, the HA may require families to participate in a HA-approved post purchase homeownership counseling program.

The homeownership counseling program will include, but not be limited to:

Home maintenance (including care of the grounds)

Budget and money management

Credit counseling

How to negotiate a purchase price

How to obtain homeownership financing and loan approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing

How to find a home

Advantages of purchasing a home in an area that does not have a high concentration of low-income families and how to locate homes in such areas

Information about fair housing, including fair housing lending and local fair housing enforcement agencies

Information about RESPA, state and Federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions

**C. ELIGIBLE UNITS** [24 CFR 982.628]

The unit must meet all of the following requirements:

The unit must meet HUD's "Eligible Housing" requirements [24 CFR 982.352].

The unit was already existing or under construction at the time the family was determined eligible for homeownership assistance.

The unit is a one-unit property or a single dwelling unit in a cooperative or condominium. One-unit properties include:

Single family homes;

A home in a planned use development;

A manufactured home to be situated on a privately owned lot.

The unit has been inspected by the HA and by an independent inspector designated by the family.

The unit meets HUD Housing Quality Standards.

The HA must not approve the seller of the unit if the HA has been informed that the seller is disbarred, suspended, or subject to a limited denial of participation.

**D. HA SEARCH AND PURCHASE REQUIREMENTS** [24 CFR 982.629]

The HA has established the maximum time that will be allowed for a family to locate and purchase a home.

The family must locate a home to purchase within 120 days from the date the family's eligibility for the homeownership option is determined.

The family must obtain financing for the home within 30 days of locating a home to purchase.

The family must purchase the home within 60 days of locating a home to purchase.

The Executive Director, or their designee, may grant extensions for good cause.

The HA will require periodic family reports on the family's progress in finding and purchasing a home.

If the family is unable to purchase a home within the maximum time established by the HA, the HA shall continue the family's participation in the Section 8 Housing Choice Voucher.

#### **E. INSPECTIONS AND CONTRACT OF SALE [24 CFR 982.631]**

The HA may not commence homeownership assistance for a family until the HA has inspected the unit and determined that the unit passes HUD Housing Quality Standards.

The unit must also be inspected by an independent professional inspector selected by and paid by the family.

The independent inspection must cover major building systems and components. The inspector must be qualified to identify physical defects and report on property conditions, including major building systems and components. These systems and components include, but are not limited to:

Foundation and structure;

Housing interior and exterior;

Roofing;

Plumbing, electrical and heating systems.

The independent inspector must not be a HA employee or contractor.

The HA will not require the family to use an independent inspector selected by the HA, but the HA has established the following standards for qualification of inspectors selected by the family:

Must be an Oregon Certified Home Inspector;

Must be licensed and bonded in the State of Oregon;

Should be a member of the American Society of Home Inspectors.

The independent inspector must provide a copy of the inspection report both to the family and the HA.

The HA shall have the discretion to disapprove the unit for assistance because of information in the inspection report.

The family must enter into a contract of sale with the seller of the unit. A copy of the contract of sale must be given to the HA. The contract of sale must:

The family conveyed title to the home, as required by HUD, to HUD or HUD's designee, and

The Family moved within the period established or approved by HUD.

The HA may terminate homeownership assistance if the family violates any of the family obligations as listed in 24 CFR 982.633

**M. RECAPTURE OF HOMEOWNERSHIP ASSISTANCE [24 CFR 982.640]**

The HA shall recapture a percentage of the homeownership assistance provided to the family upon the family's sale or refinancing of the home.

Upon purchase of the home, the family shall execute documentation securing the HA's right to recapture homeownership assistance.

The amount of homeownership assistance subject to recapture will automatically be reduced over a 10 year period, in annual increments of 10 percent. At the end of the 10 year period, the amount subject to recapture will be zero.

In the case of the sale of the home, the recapture shall be in an amount equaling the lesser of:

The amount of homeownership assistance provided to the family; or

The difference between the sales price and purchase price of the home, minus:

The costs of any capital expenditures;

The costs incurred by the family in the sale of the home (such as sales commission and closing costs);

The amount of the difference between the sales price and purchase price that is being used, upon sale, towards the purchase of a new home under Section 8 homeownership option; and

Any amounts that have been previously recaptured.

In the case of refinancing of the home, the recapture shall be the lesser of:

The amount of homeownership assistance provided to the family; or

The difference between the current mortgage debt; minus

The costs of any capital expenditure;

## **G. CONTINUED ASSISTANCE; FAMILY OBLIGATIONS [24 CFR 982.633]**

Homeowner assistance may only be paid while the family is residing in the home.

If the family moves out of the home, the HA may not continue homeowner assistance after the month when the family moves out. The family or lender is not required to refund homeowner assistance to the HA for the month when the family moves out.

The family must comply with the following obligations:

The family must attend and complete post purchase homeownership and housing counseling as required by the HA;

The family must comply with the terms of the mortgage securing debt incurred to purchase the home, or any refinancing of such debt;

So long as the family is receiving homeownership assistance, use and occupancy of the home are subject to CFR 982.551 (h) and (i);

The family may grant a mortgage on the home for debt incurred to finance purchase of the home or any refinancing of such debt;

Upon death of a family member who holds title, homeownership assistance may continue pending settlement of the decedent's estate, so long as the home is solely occupied by remaining family members in accordance with CFR 982.551 (h);

The family must supply information to the HA or HUD as specified in CFR 982.551 (b); The family must further supply any information required by the HA or HUD concerning mortgage financing or refinancing, sale or transfer of any interest in the home, or homeowner expenses;

The family must notify the HA before moving out of the home;

The family must notify the HA if the family defaults on any debt incurred to purchase the home;

No family member may have any ownership interest in any other residential property;

Before commencement of homeowner assistance, the family must execute a statement in which the family agrees to comply with all family obligations under the homeownership option.

## **H. MAXIMUM TERM OF HOMEOWNERSHIP ASSISTANCE [24 CFR 982.634]**

Except in the case of elderly or disabled families, the maximum term of homeownership assistance is:

15 years, if the initial mortgage term is 20 years or longer, or

10 years in all other cases.

The elderly exception only applies if the family qualified as elderly at the start of homeownership assistance. The disabled exception applies if, at any time during the receipt of homeowner assistance, the family qualifies as disabled.

If the family ceases to qualify as elderly or disabled during the course of homeownership assistance, the maximum term becomes applicable from the date assistance commenced. However, such a family must be afforded at least six (6) months of homeowner assistance after the maximum term becomes applicable.

If the family receives homeownership assistance for different homes, or from different HAs, the total of such assistance is subject to the maximum term limitations.

The term limit applies to any member of the household who has an ownership interest in the unit during any time homeownership payments are made, or to the spouse of any member of the household who has an ownership interest.

## **I. HOMEOWNERSHIP ASSISTANCE PAYMENTS AND HOMEOWNERSHIP EXPENSES [24 CFR 982.635]**

The monthly homeownership assistance payment is the lower of the voucher payment standard minus the total tenant payment, or the monthly homeowner expenses minus the total tenant payment.

The Payment Standard is the lesser of:

The payment standard for the family unit size; or

The payment standard for the size of the home.

The Payment Standard is the greater of:

The payment standard at the commencement of homeownership assistance; or

The payment standard at the most recent regular reexamination since commencement of homeownership assistance.

Specify the price and other terms of the sale;

Provide that the purchaser will arrange for a pre-purchase inspection of the unit by an independent inspector selected by the purchaser;

Provide that the purchaser is not obligated to buy the unit unless the inspection is satisfactory;

Provide that the purchaser is not obligated to pay for any necessary repairs;

Provide that the purchaser is not obligated to buy the unit if the mortgage financing terms are not approved by the HA;

Contain a seller's certification that he/she has not been disbarred, suspended or subject to a limited denial of participation.

## **F. FINANCING** [24 CFR 982.632]

The family is responsible for securing financing.

The proposed financing terms must be submitted to and approved by the HA prior to the close of escrow. The HA shall disapprove financing if the HA determines that the debt is unaffordable.

The HA shall take into account other family expenses, including but not limited to, child care, unreimbursed medical expenses, homeowner expenses, and other family expenses.

The HA has established the following financing requirements:

The HA will prohibit the following forms of financing:

Balloon payments

Loans in excess of 97% of the purchase price

Seller-financing mortgages shall be considered by the HA on a case-by-case basis at the discretion of the Executive Director or designee.

The HA will require a minimum homeowner down payment of at least three (3) percent of the purchase price, with at least one percent of the purchase price to come from the family's personal resources, not including gifts.

If the mortgage is not FHA-insured, the HA will require the lender to comply with generally accepted mortgage underwriting standards.

The costs incurred by the family in the refinancing of the home (such as closing costs); and

Any amounts that have been previously recaptured.

The recapture amount shall be determined using the actual sales price of the home, unless the sale is to an identity-of-interest entity, in which case the HA shall establish a sales price based on fair market value.

**J. PORTABILITY** [24 CFR 982.636, 982.353(b) and (c), 982.552, 982.553]

Subject to the restrictions on portability included in HUD regulations and in Chapter 13 of this plan, the family may exercise portability if the receiving HA is administering a voucher homeownership program and is accepting new homeownership families.

The receiving HA may absorb the family into its voucher program, or bill the initial HA. The receiving HA arranges for housing counseling and the receiving HA's homeownership policies apply.

The HA's eligibility requirements will apply. The initial HA will provide a certification regarding the family's HQS history, lease history and compliance with Family Obligations.

**K. MOVING WITH CONTINUED ASSISTANCE** [24 CFR 982.637]

A family receiving homeownership assistance may move to a new unit with continued tenant-based assistance. The family may move with voucher rental assistance or with voucher homeownership assistance. Continued tenant-based assistance for a new unit cannot begin so long as any family member owns any title or other interest in the prior home.

The HA will deny permission to move with continued rental or homeownership assistance if the HA determines that it does not have sufficient funding to provide continued assistance.

The HA will prohibit more than one move by the family during any one year period. The Executive Director, or designee, may grant an exception to this rule based on good cause.

The HA will require the family to complete additional homeownership counseling prior to moving to a new unit with continued homeownership assistance.

**L. DENIAL OR TERMINATION OF ASSISTANCE** [24 CFR 982.638]

Termination of homeownership assistance is governed by the policies for the Housing Choice Voucher program contained in Chapter 15 of this plan. However, the provisions of CFR 982.551 (c) through (j) are not applicable to homeownership.

The HA will terminate homeownership assistance if the family is dispossessed from the home due to a judgment or order of foreclosure.

The HA will permit such a family to move with continued voucher rental assistance. However, rental assistance will be denied if the family defaulted on an FHA-insured mortgage, and the family fails to demonstrate that:

The HA will use the same payment standard schedule, payment standard amounts and subsidy standards as described in this plan for the Housing Choice Voucher program.

The HA will pay the homeownership assistance payment directly to the lender on behalf of the family unless otherwise required by the lender.

Homeownership expenses are allowances or standards determined by the HA in accordance with HUD regulations. These allowances are used in determining expenses for all homeownership families and are not based on the condition of the home.

Homeownership expenses include:

- Principle and interest on initial mortgage debt and any refinancing of such debt;

- Real estate taxes;

- Home insurance premium;

- Mortgage insurance premium;

- The HA utility allowance used for the Housing Choice Voucher program;

- The HA allowance for routine maintenance cost (see attached)

- The HA allowance for major repairs and replacements (see attached)

- Principle and interest on debt incurred to finance costs for major repairs, replacements or improvements for the home. If a member of the family is a person with disabilities, such debt may include debt incurred by the family to make the home accessible;

- Cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association;

For a cooperative unit, homeowner expenses may also include:

- The cooperative charge under the cooperative occupancy agreement including payment for real estate taxes and public assessments on the home;

- Principal and interest on initial debt incurred to finance the purchase of cooperative membership shares, and any refinancing of such debt.

## Major Repair and Replacement Allowance

	1-Bdr House	1 Bdr Condo	2 & 3 Bdr Condo	2 & 3 Bdr House	4+ Bdr House
<b>New</b>	19.00	15.00	19.00	34.00	38.00
<b>Recent</b>	28.00	18.00	23.00	44.00	49.00
<b>Old</b>	93.00	33.00	41.00	100.00	106.00

New = 2000 +

Recent = 1980 - 2000

Old = pre 1980

Condo includes 1/4 roof replacement allowance

Allowance includes replacement of roof, water heater, range, and refrigerator

Water heater = 1 bdr - \$150, 2 & 3 bdr - \$225, 4+ - \$300,  
plus installation \$50 (2hrs labor @ \$25)

Refrigerator = 1 bdr - \$250, 2 & 3 bdr - \$500, 4+ - \$700,  
plus delivery @ \$50

Range = 1 bdr - \$300, 2 & 3 bdr - \$400, 4+ - \$500,  
plus delivery @ \$50

Roof (based on simple sloped roof, 25 year composition shingles)

Re-roof over existing shingles = \$1700 (new)

Tear off re-roof = \$2200 (recent)

New plywood needed = \$4700 (old)

New = 2000 + (15 year use) Amount doubled for inflation, divided by 180 mo

Recent = 1980 - 2000 (10 year use) Amount x 1.5 of inflation, divided by 120 mo

Old = pre 1980 (5 year use) Amount divided by 60 mo

Amounts rounded up to next whole dollar

## Maintenance Allowance

On-going Maintenance all ages =

1 Bdr = **\$50**

2 & 3 Bdr = **\$75**

4+ Bdr = **\$100**

*Figures are based on discussions with CCCS, NEDCO, local property management companies, and retail companies.*